

# Departmental Management

## Introduction

Interior bureaus provide the on-the-ground effort needed to accomplish the Department's mission. Departmental Offices provide the executive leadership, policy, guidance, and coordination needed to manage the diverse, complex, and nationally significant programs which are the Department's responsibilities. They provide support services used by the bureaus to accomplish their work that are supported on a reimbursable basis. These include legal services through the Solicitor's Office, the audits and investigations of the Inspector General, environmental damage coordination, administrative hearings and appeals, and aviation and air safety services through Departmental Management.

Departmental Management also guides and coordinates all of Interior's administrative activities such as finance, information resources, procurement and acquisition, human resources, and budgeting.

Within the Departmental Offices are several other significant programs. These include the Office of Insular Affairs (OIA), which provides assistance to insular areas; the Office of the Special Trustee for American Indians (OST), which manages and discharges the Secretary's responsibilities for about \$3.1 billion in trust assets of American Indians; the Natural Resources Damage Assessment and Restoration program, which coordinates the Department's natural resources damage assessment and restoration

effort; and the National Indian Gaming Commission, which regulates certain Indian gaming activities. These activities relate to specific departmental strategic goals and are discussed in detail in the related sections of the report.

The Department's Working Capital Fund provides common administrative and support services efficiently and economically on a reimbursable basis. Activities financed through the Fund include administrative support services such as accounting, property management and purchasing, drug testing, training, security, printing, communications, and computer systems operations and maintenance. The Department's bureaus and offices comprise most of the Fund's customers. Several commissions, other Federal agencies, and in the case of aircraft services, State governments and cooperators are also customers.

The Department is one of six executive branch agencies authorized to establish a franchise fund pilot under the Government Management Reform Act. The Interior Franchise Fund (IFF) provides commonly required administrative systems and systems support, administrative operations, and information technology services on a competitive, fee-for-service basis to other Federal agencies with the goal of reducing administrative costs to the taxpayer.

The resources allocated to Departmental Management are provided in *Figure 1*.

**Figure 1**

Departmental Management	
Activity	1999 Expenditures (\$ in millions)
1. Departmental Management (Policy)	
2. Working Capital Fund	
3. Interior Franchise Fund	
4. Other	

## Departmental Management Activities

**Desired Results:** Build and manage for departmental excellence and accountability in the areas of human resources, service and technology, procurement and property management, financial and managerial accountability, and facilities maintenance and capital improvements.

Interior has taken great strides in recent years to becoming a more mission-focused, efficient organization. From 1993 to 1996, the Department reduced its workforce by more than 13 percent. It has reduced supervisory positions by 29 percent, headquarters staff by 27 percent, and management control positions by 21 percent. At the same time, our dedicated work force has allowed us to continue to provide high-quality goods and services to the American public.

### ***Building The Workforce of the Future***

Interior requires a dedicated, diverse, highly-qualified workforce to accomplish its mission and achieve its goals. To ensure that a quality workforce is in place, our long-range goal is to create a work environment in which our employees are valued, motivated, developed, and rewarded for excellent customer-focused performance. To accomplish this goal, the Department strives to attract and develop a high quality workforce and deliver the best possible human resources services to Interior employees. Critical to these efforts is the need to train and develop our employees for both mission and career advancement. Our focus is on developing and implementing effective training and development programs that emphasize career management throughout the Department and also on achieving levels of diversity for the Department's workforce that are reflective of the Nation's citizenry.

**Management Objective:** Develop and implement a comprehensive and integrated and development approach that addresses all levels of career management and better prepares employees to perform Interior's mission and advance their careers.

In 1999, the Department's Office of Personal Policy established a Training and Development Counterpart Group that consisted of one representative from each bureau/office. This group is responsible for (1) assessing current departmentwide and bureau/office-specific career development program; (2) determining and prioritizing bureau/office career development needs not being met by the current programs; and (3) proposing new departmentwide career development programs to meet bureau/office needs. The Counterpart Group recommended a training and development program that was implemented by the Department in 1999.

**Management Objective:** Increase the Department's diverse representation at least 1.1 percent from the 1997 baseline.

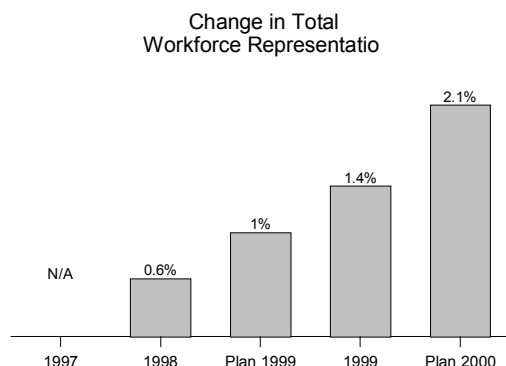
Interior's Strategic Plan for Improving Diversity was signed by the Secretary in December 1997. All bureaus established implementation plans which were signed by their respective Directors.

The Department strives to achieve diversity goals through increasing the awareness of diversity issues, by improving targeted recruitment to increase the diversity of the applicant pool, and by improving the quality of work life to reduce pre-retirement separations. Selections are made solely on the basis of merit. The measurement focus is on increasing the general diversity of the workforce, not on quotas, numeric targets, or specific vacancies. Percentages are calculated as portions of the total workforce rather than the growth rate of specific groups; for example, if a group moves from 5 percent to 6 percent, it is reported as having increased 1 percent of the total workforce rather than as a 20 percent increase in the group. Thus an increase of 1 percent is significant progress given the limited turnover.

In 1999, diverse representation in Interior's workforce increased by 1.4 percent from the 1997 baseline, exceeding the performance target of 1 percent.

### **Performance Indicator**

**Figure 2**



### **Year 2000 Computer Readiness - Major Management Challenge Resolved**

The Year 2000 (Y2K) computer problem presented a very real threat to the Department of Interior's computers and information systems. While possible disruption of programs and service delivery are the primary issues, additional concerns related to the health and safety of our employees.

In 1999, the Department addressed the Y2K problem through the replacement of modification of existing systems and technology dependent equipment using the five step approach adopted by the General Accounting Office: (1) awareness, (2) assessment, (3) renovation, (4) validation, and (5) implementation. All components of the Department dedicated both human and fiscal resources to the Y2K problem to minimize or eliminate potential disruptions.

**Management Objective:** *Ensure that the Department's critical information systems and processes are remediated and operating correctly for the Year 2000 data change.*

During the 16 months prior to December 31, 1999, the Department demonstrated considerable progress in identifying and remediating the Year 2000 (Y2K) computer problem. In November 1997, only 21 mission critical systems were Y2K compliant. As of March 22, 1999, all 90 mission critical systems were Y2K compliant. All of these mission critical systems were independently verified and validated. In partnership with the Office of the Inspector General, the Department conducted additional reviews to validate Y2K management activities in each bureau.

Exhaustive discovery procedures implemented by the Chief Information Officer's office in cooperation with bureaus led to identifying Y2K problems in embedded microchips, telecommunications, and non-mission critical systems; these systems and facilities were repaired and tested. Subsequent analyses pinpointed the resource requirements for remediation efforts, and the Department was successful in obtaining emergency supplemental funds for these efforts. The Department was a leader among Federal agencies in awareness training for employees, business partners and customers, and in "Day One" and continuity of business operations planning. Congress consistently awarded the Department top grades for work on Y2K. The greatest testament, however, to the planning and personnel involved in the Department's Y2K initiative was the smooth and uneventful transition of its systems, facilities, equipment and personnel to the new millennium.

### **Establishing Faster, More Cost Effective Goods, Services, and Facilities**

Procurement and property management play important roles in virtually all activities and programs of the Department. The procurement of goods and services is a critical support element in accomplishing mission objectives. By improving the quality and price of procured items, as well as the timeliness and productivity of our procurement staff, Interior saves scarce dollars and

improves the Department's services to the American people.

The management of personal, real, and museum property is also critical to Interior's mission of protecting and preserving Federal assets. As the largest landholder within the Federal government, Interior has a unique responsibility to conserve approximately 113 million cultural artifacts, pieces of artwork, and other museum properties. Interior also manages personal property assets valued at more than \$1.7 billion, more than 37,500 buildings and facilities, and a fleet of more than 31,500 vehicles. Interior's property management community carries out a vital function by balancing public access to land and property against protection of those assets for the benefit of future generations.

**Management Objective:** *Provide better service and cost savings through the purchase card program.*

In 1998, approximately 40 percent of the dollars spent and 76 percent of the transactions for procurement under \$25,000 were purchased through Interior's charge card program. In 1999, the percent of dollars under \$25,000 expended using the charge card increased to 53 percent. Interior's strong growth performance in the use of charge cards was part of our effort to replace more costly and less efficient paper purchase orders. This momentum was negatively impacted by the General Services Administration's recompetition of the charge card contract and difficulties experienced by Interior's selected vendor, Bank of America (formerly NationsBank), in 1999.

The performance target for 1999 was to increase the use of purchase card transactions to over \$275 million. The Department's actual results for 1999 totaled \$312 million, \$37 million or approximately 13 percent above our target. This growth is expected to continue in 2000.

The charge card program, when fully implemented, will increase efficiencies by eliminating slow, paper-based purchasing pro-

cesses. It will also increase accountability by making more information readily available to managers.

**Management Objective:** *Preserve, protect, and provide access to cultural and natural museum collections belonging to the American people.*

Interior is responsible for over 113 million museum objects (69 million artifacts and specimens and 44 million documents), a collection that is second in total size only to those managed by the Smithsonian Institution. Our museum collections include important artifacts of our national cultural and natural heritage. Careful documentation of these museum collections establishes accountability for their management and use in preserving our Nation's natural and cultural resources, supporting our science activities, and providing heritage recreation and education for the public.

In 1998, Interior established a baseline of 36.4 million accurately documented objects. By the end of 1999, 41.7 million museum objects were inventoried by Interior. In 1999, the Department inventoried 5.3 million museum objects, exceeding its 1999 performance target by 3.5 million or approximately 194 percent. The exceptional performance is attributable to (1) outstanding performance by curatorial staff in the Bureau of Reclamation and the National Park Service, (2) improved communication and coordination with 400 non-federal institutions with whom we partner to manage our collections, and (3) increased resources to collection documentation. As more of the collections are documented, they become available for use in our resources management, research, interpretation, and exhibition programs at public-contact points throughout the country.

### **Facilities Maintenance and Capital Improvements**

Interior is committed to improving its infrastructure for the next century. In recent years, increasing deferred maintenance and

capital improvement needs have threatened Interior's infrastructure and natural resource protection efforts. Additions to Interior's infrastructure inventory have further stretched maintenance and capital improvement dollars. A 1998 Interior study, "*Facilities Maintenance Assessment and Recommendations*," provided the basis for proposed increased in maintenance and capital improvement funding, development of a Five-Year Maintenance and Capital Improvement Plan, and a number of other improvements.

Interior bureaus identify the highest priority projects within the universe of deferred maintenance requirements by the Federal Accounting Standards Advisory Board (FASAB) Standard Number 6. In responses to FASAB No. 6, the bureaus reported a range of \$7.8 billion to \$13.7 billion in deferred maintenance. Critical health and safety and resource protection needs are given highest priority for deferred maintenance funding.

**Management Objective:** *Improve management and accountability for the Department's infrastructure and focus maintenance and construction funding on the highest priority health, safety, and resource protection needs.*

In 1999, Interior accomplished the following:

- Completed the Five-Year Plan for 2000 and initiated development of the Plan for 2001;
- Issued guidance to bureaus for conducting facilities condition assessment surveys; and
- Established standard facilities related data elements and definitions that the bureau will incorporate into facilities management systems. Interior also established a Facilities Management Systems Partnership to coordinate the development and use of Departmental Facilities management systems.

In 1999, Interior also developed a set of common definitions for maintenance and capital improvement functions, made adjustments to its budget and accounting structures to better reflect those definitions, developed Five-Year Maintenance and Capital Improvement Plans, and developed a system for implementation of a five-year condition assessment process of identification of maintenance and capital improvement needs.

In 1999, approximately \$938 million was budgeted for critical infrastructure improvements and maintenance. Funding for 2000 is expected to increase to approximately \$1,037 million.

### **Reliable and Accurate Financial Information**

Key laws, such as the Chief Financial Officers Act, the Government Management Reform Act, the Government Performance and Results Act, the Debt Collection Improvement Act, and the Federal Financial Management Improvement Act, have established new standards and high expectations for government operations. In response to these new laws and other initiatives such as the implementation of Federal Accounting Standards Advisory Board (FASAB) pronouncements, the Department continues to reshape the way it conducts business. To comply with the new standards and to meet these high expectations information must be available to permit stakeholders and decisionmakers to track progress and evaluate the results of Interior programs.

**Management Objective:** *Provide timely and reliable financial and performance information allowing decision makers to track progress and evaluate the results of Interior's programs.*

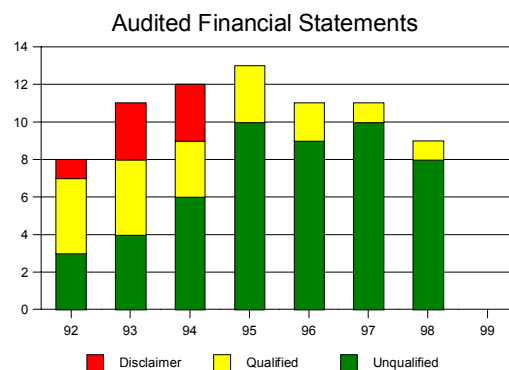
To strengthen the integrity of financial operations and ensure the accuracy of financial data the Department produces audited consolidated financial statements for the Department and audited financial statements for each of the bureaus. The goal

is to achieve unqualified (clean) audit opinions on all financial statements as well as internal controls and Federal Financial Management Improvement Act (FFMIA) requirements. The benefits of financial statement audits and in particular, obtaining unqualified opinions, are twofold: (1) ensuring that quality data is provided to external parties and (2) ensuring that books and records used by management can withstand the rigors of the audit process.

Unqualified audit opinions provide independent assurance to external users that the information being provided is reliable. Moreover, the discipline required to produce annual financial statements and audits demand that proper management attention and direction is being paid to improving agency financial management and complying with applicable laws and regulations.

In 1998, the Department's consolidated financial statements and all bureaus publishing financial statements, except the Bureau of Indian Affairs, received unqualified audit opinions on their financial statements. *Figure 3* summarizes the results of financial statement audits since 1992. The 1999 financial statement audit process was not complete at the time of report publication and overall results were not available.

**Figure 3**



## Interior Franchise Fund

The Interior Franchise Fund (IFF) offers a diverse suite of administrative products and services for financial management, procurement and property management, personnel and payroll management, and general office services to other Federal agencies, including:

- Administrative Systems and Related Support Services
- Administrative Operations
- Electronic Commerce
- Consulting
- Drug and Alcohol Testing
- Training
- Office Services
- Audio Visual Services

Major accomplishments achieved in 1999 by the IFF include:

- Increasing the number of customers from 230 in 1998 to 399 in 1999 (a 73 percent increase).
- Increasing gross revenues by 99 percent over the previous year, resulting in a 1999 net profit of \$147,000. This was the first year that the IFF realized a profit from operations.

The IFF's competitive strengths lie in its ability to attract and retain external customers and its ability to quickly garner the necessary staff to meet customer needs. The creative concept of using Interior resources on a reimbursable basis allows the IFF to keep personnel and fixed costs to a minimum and precludes the need for maintaining permanent staff.

## Analysis of Financial Activity

The Department prepares consolidated financial statements that include (1) a Statement of Financial Position, (2) a Statement of Net Cost, (3) a Statement of Changes in Net Position, (4) a Statement of Custodial Activity, and (5) a Statement of

Budgetary Resources. Overall, these statements summarize the financial activity and financial position of the Department. Additional unaudited financial information is also presented in the Supplemental Information section of the report.

### Operating Expenses

As indicated in the Statement of Net Cost, the 1999 net cost of Interior operations, after earned revenue, is approximately \$\_\_\_\_\_ billion. In comparison, the Federal government expended approximately \$390 billion for Social Security payments and almost \$230 billion in interest payments on Treasury securities during 1999.

The largest expense of the Department is salaries and benefits (*Figure 4*). In terms of personnel, Interior is the sixth largest of the 15 Cabinet agencies, with approximately 3.8 percent of total Executive Branch civilian employment. During 1999, Interior's full-time equivalent (FTE) employee level was 66,956, an increase of 469 or 0.7 percent over 1998. Since 1993, Interior has decreased staffing by 10,441 FTEs, a decline of approximately 13.5 percent.

A portion of the increase in salary and benefit expenses is attributable to a change in accounting standards that requires Federal agencies to recognize expense for that portion of their retirement and other benefits paid by the Office of Personnel Management (see Note to the Financial Statements No. \_\_).

**Figure 4**

Operating Expenses			
(dollars in billions)	1999	1998	% Change
Salaries and Benefits		\$3.75	
Contractual Services		2.33	
Grants, Subsidies and Contributions		1.89	
Other		1.63	
Total		\$9.60	

### Revenues

In general, Interior's missions are intended to be funded by general government funds derived from tax receipts and other sources. However, an increasing number of Departmental activities are being supported by other fees and collections.

Federal government revenue is classified as either Exchange Revenue or Non-exchange Revenue. Exchange Revenue occurs when both parties to the transaction receive value (e.g., the government sells maps, or other products and services to the public for a price). Non-exchange Revenue occurs when only one party receives value (e.g., donations to the government from the public or government demands for payment through taxes, fines and penalties). Only Exchange Revenues are presented on the Statement of Net Cost, so that the statement reflects, to the extent possible, the net cost to the taxpayer of agency operations.

Interior's revenues from the public derive from sales of hydroelectric power, entrance fees at parks and wildlife refuges, sales of maps, and other products and services directly related to the operating responsibilities of the Department (*Figure 5*). Approximately \$\_\_\_\_\_ million of revenues were collected from the public and were either retained in the Department after congressional appropriation to further Interior's mission, or were returned to the General Fund of the Treasury. This represents a decrease of \_\_ percent over the prior year. These revenues offset the taxpayers' investment in the Department. In addition, Interior earned \$\_\_\_\_\_ million from other Federal agencies, mostly resulting from cross-servicing agreements or reimbursable services to other agencies. These efforts help reduce the total cost of government operations by sharing expertise among agencies.

During 1999, the Department collected over \$\_\_\_\_\_ billion in revenue (see Statement of Custodial Activity) from Outer Continental Shelf and onshore oil, gas, and mineral lease sales and royalties, making Interior one of

the largest collectors of revenue in the Federal government. This was a decrease of \$\_\_\_ million from the prior year. These receipts are presented on the Department's Statement of Custodial Activity since these collections, under Federal accounting rules, are considered to be revenue of the government as a whole rather than of the Department. These revenues are distributed primarily to Federal and State treasuries, Indian tribes and allottees, the Land and Water Conservation Fund, and the Historic Preservation Fund.

Figure 5

Exchange Revenue			
(dollars in billions)	1999	1998	% Change
Revenue from Sale of Goods and Services to the Public		\$ .85	
Revenue from Sale of Goods and Services to Federal Agencies		.72	
Other Revenue		.32	

Budgetary Resources

The Department obtains most of its funding from general government funds maintained by the Treasury Department and appropriated for Interior's use by Congress.

Interior's 1999 budget authority (as reported in the 2001 budget request) was approximately \$10.5 billion. This represents very little change from 1998. The \$10.5 billion is greater than the \$\_\_\_ billion in budgetary authority reported in the Statement of Budgetary Activity because of differences between budgetary and federal accounting guidance. The most significant difference relates to the treatment of Tribal and Individual Indian Trust funds, assets which do not belong the Federal government. These amounts, which are discussed in detail in Note\_\_ of the consolidated financial statements, are excluded from Interior's financial statements but through 2000 are included in Interior's budget requests.

Measured in terms of dollar resources, the Department, with one-half of one percent of the entire Federal budget, spends less funds than all but two of the Cabinet agencies. Despite its relatively low funding, the

Department touches the lives of most citizens, often on the person-to-person level through its responsibility for the national parks, wildlife refuges, public land recreation areas, topographic maps, dams and water projects. Its operations are located throughout the country and have an immense impact on individuals throughout America and its programs provide a tangible return to taxpayers.

Since budgetary accounting rules and financial accounting rules may recognize certain transactions and events at different points in time, Appropriations Used (Figure 6) in any given period as reported on the Statement of Changes in Net Position will not exactly match expenses for that period.

Figure 6

Appropriations			
(dollars in billions)	1999	1998	% Change
Appropriations Used to Finance Operations		\$8.8	

Assets

Approximately \_\_ percent of Interior's assets are held on behalf of others and are not available for Departmental use. Approximately \_\_ percent of the Department's \$\_\_\_ billion in assets (see Statement of Financial Position) is composed of General Property, Plant, and Equipment (Figure 7).

Most of Interior's Buildings, Structures, and Facilities are composed of dams and power and irrigation facilities managed by the Bureau of Reclamation. The remainder consists of buildings and other structures and facilities used in the Department's operations (e.g., visitor centers, fish hatcheries, and Bureau of Indian Affairs schools).

Interior's reported values for Property, Plant, and Equipment (PP&E) exclude stewardship property, such as land for national parks and national wildlife refuges, public domain land, historic buildings, and national monuments. Although these stewardship assets are priceless, they do not have an



identifiable financial value and therefore, cannot be adequately presented on a numerically based Statement of Financial Position. An in-depth discussion of these assets is presented in the Stewardship Assets, Investments, and Deferred Maintenance section of the report.

**Figure 7**

Property, Plant, and Equipment (PP&E)			
(dollars in billions)	1999	1998	% Change
Buildings, Structures, and Facilities		\$16.6	
Other General PP&E		0.7	

The Fund Balance with Treasury, which is essentially the amount of funds made available to the agency by congressional appropriation which are in agency accounts at Treasury, is \$\_\_\_ billion (*Figure 8*). The Treasury Department functions like a bank, and Interior's Fund Balance with Treasury is somewhat analogous to a checking account. The portion of Fund Balance with Treasury available to the Department for spending at any point in time depends on the terms of appropriation language and other factors.

**Figure 8**

Fund Balance with Treasury			
(dollars in billions)	1999	1998	% Change
Fund Balance with Treasury		\$5.6	

The Department has Restricted Assets in Conservation and Reclamation Funds (*Figure 9*). These amounts derive primarily from royalties and lease payments generated from oil and gas extracted from the Outer Continental Shelf. The restricted asset Conservation account includes the Land and Water Conservation Fund and the Historic Preservation Fund. Approximately \$\_\_\_\_\_ million was deposited in these funds in 1999. This was a decrease of \_\_ percent compared to 1998 due to the expiration of the law authorizing the transfer of these funds to the Historic Preservation Fund. Spending authority for the conservation accounts is approved in subsequent years through congressional appropriations.

**Figure 9**

Restricted Assets			
(dollars in billions)	1999	1998	% Change
Land and Water Conservation Fund		\$11.9	
Historic Preservation Fund		2.3	
Reclamation Fund		3.3	

## Liabilities and Net Position

Federal agencies, by law, cannot make any payments unless funds have been appropriated by Congress. The Department's unfunded liabilities (approximately \$\_\_\_ billion, or \_\_ percent of total liabilities) consist primarily of legal and environmental contingent liabilities and unfunded annual leave, both of which are considered expense and liability in the current period, but which will be paid out of funds made available to the agency in future years.

Contingent liabilities reflect Interior's potential responsibility for cleanup of contaminated sites and for legal claims brought against the Department. The Department's liability for financial statement purposes for environmental cleanup is limited to those sites where Interior is or may be held to be legally liable for remediation of the hazard, for example, underground fuel tanks installed by the Department. In addition, there are numerous sites, including abandoned mines and illegal waste dumps, where other parties have caused contamination on lands managed by the Department. Although Interior bears no legal responsibility for these hazards, the Department will often, in its stewardship capacity, correct the environmental hazard. Wherever feasible, Interior will initiate collection efforts against the responsible parties. The Department has recognized \$\_\_\_ million for potential environmental cleanup liabilities and \$\_\_\_ million related to other claims and litigation.

The Net Position of the Department consists of three components: (1) Unexpended Appropriations, (2) Cumulative Results of Operations, and (3) Restricted Equity. The Unexpended Appropriations account reflects spending authority made available to the Department by congressional appropriation

that has not yet been used by Interior. Cumulative Results of Operations reflects the net results of the Department's operations over time. Restricted Equity reflects funds in the Land and Water Conservation Fund, Historic Preservation Fund, and Reclamation Fund; these amounts have not yet been made available for Departmental use by congressional appropriation. In total, Interior's Net Position is \$\_\_\_ billion, of which \$\_\_\_ billion is Restricted Equity.

## Looking to the Future

Changes in the Department reflect a significant shift in the attitudes and interests of Americans toward natural resources and a realization of the Federal government's trust responsibilities to American Indians. This new attitude builds on the past, incorporating the ideals of great conservationists while reflecting a sophistication and improved understanding of the natural landscape and the need for restoration. In the 20<sup>th</sup> Century American conservation was largely about preservation. Preservation was and is a big and powerful movement that says we must preserve the treasures out on the landscape. Whether it's the Grand Canyon, Lake Tahoe, rivers, or landscapes, the operative words were to preserve or create as many preserves as possible on the landscape. This movement was founded, perhaps grounded, in a sense that you could bifurcate the landscape, that if we could protect the back 40, then we could go about our business in downtown Reno on the banks of the Truckee River. At the threshold of the 21<sup>st</sup> century, we've come to understand that nature doesn't work that way—that everything relates.

Guardianship and stewardship will earmark the Interior's efforts in restoration of resources. Watershed scale approaches will seek to restore and preserve the Nation's natural and cultural bounty, while ensuring that economic development needs to be met. The Florida Everglades, the California Bay-Delta, and the President's Pacific Northwest Forest Plan are tangible evidence that Interior's restoration efforts have been successful.

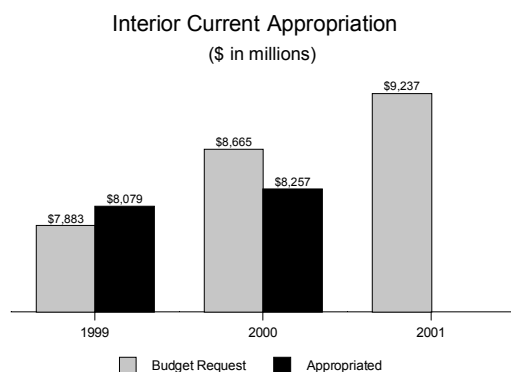
The Department's 2000 budget request focuses on key initiatives for restoration including restoring the natural and cultural resources legacy of national parks, rebuilding our wildlife and fisheries resources, sustaining productive landscapes on the public lands, restoring healthy lands and clean streams, and taking care of our vast facility infrastructure thereby ensuring the safety of our employees and visitors. Further, the 2000 budget request provides significant funding increases to meet the Department's trust and other responsibilities to American Indians. The President's 2000 budget request for funds subject to annual appropriation by the Congress was \$8.7 billion or \$832 million above the 1999 appropriation request. The congressionally approved 2000 appropriation was \$8.3 billion or \$408 million below the requested amount. The increased 2000 funding will address critical issues such as Indian Trust Funds, land acquisition, Cooperative Endangered Species Fund, improved maintenance for all land management agencies, Indian education construction and other critical programs.

Interior's 2001 budget request has three themes: (1) instilling hope in Indian Country by providing better education resources to Indian children, improving living conditions on reservations, and strengthening trust management; (2) protecting America's great places through the President's Lands Legacy Initiative; and (3) sustaining America's magnificent natural and historical resources and restoring species. The 2001 President's budget request for funds subject to annual appropriation by the Congress is \$9.2 billion. This is an increase of \$980 million above the 2000 appropriation. This includes \$332 million to support Bureau of Indian Affairs education programs, tribal priority allocations, trust commitments, law enforcement, water rights settlements, and fractionated Indian land consolidation; \$391 million for the Land Legacy Initiative for State conservation and wildlife grants, Federal land acquisition, certain conservation funds, State planning partnerships, and the urban parks and recreation recovery program; and \$214 million for operations to safeguard the

integrity of the Nations's parks, refuges, and public lands through sound stewardship, and though partnering with States, communities and private organizations. The 2001 budget also includes a major decrease from the 2000 appropriation amount for the Commercial Salmon Fisheries Capacity Reduction program since the funding to implement the Pacific Salmon Treaty is provided for in the Administration's Pacific Coastal Salmon Recovery Fund, direct funding of the lower Snake River Compensation Plan, and National Park Service and Fish and Wildlife Service construction.

A summary of the Department's current appropriations funding is provided in *Figure 10*. The future of the diverse programs of the Department and the maintenance of the infrastructure for these programs is dependent on steady funding levels and investments in critical areas. These investments and maintenance of Interior programs are necessary to conserve, restore, and protect the Nations' precious natural and cultural heritage for future generation, and at the same time, continue to develop resources in a sustainable manner; honor past commitments and trust responsibilities to Indian tribes and Alaska Natives; use science to support pour management of lands and resources; and improve communities through improved science an technical assistance.

**Figure 10**



## Prompt Payment Act Performance

Payment is required to be made within 30 days of receipt of invoice or the Federal government is required to pay interest. Performance is measured by the percentage of late payments requiring interest penalties, compared to the total number of payments subject to the Prompt Payment Act.

**Management Objective:** *Reduce the percentage of payments with interest penalties and the percentage of interest paid to a level at or below the governmentwide average of three percent.*

In January 1997, the Department established an initiative to reduce the number and dollar amount of interest penalties paid and improve its overall on-time payment performance. The initiative has paid dividends with noticeable improvement in a number of Prompt Pay measures.

Interior's on-time payment percentage increased from 82 percent in 1998 to 85.8 percent in 1999. Since 1997, Interior has improved its prompt pay performance by almost 9 percent. The dollar amount of late payment interest penalties decreased from \$900,000 in 1998 to \$600,000 in 1999 (a decrease of 33 percent), while the number of occurrences decreased from 31,752 to 22,264 (a decrease of 30 percent) during the same time period.

Over the past several years, the number of payments subject to the Prompt Payment Act has shown a steady decline. This decrease is attributable to the Department's increased use of the governmentwide purchase card. *Figures 11 and 12* show selected prompt pay statistics for 1997 to 1999.

This improvement effort will continue and during 2000 is expected to achieve significantly better payment performance as a result of using new technologies and best practices.

Figure 11

Timeliness of Vendor Payments			
	Percent of Payments		
	1999	1998	1997
On-time	85.8%	82.0%	77.1%
Early	0.7%	0.6%	0.6%
Late	13.5%	17.4%	22.3%
Interest penalty paid	(4.0%)	(6.0%)	(8.8%)
Interest not due *	(8.7%)	(10.8%)	(12.9%)
Interest due but not paid	(0.8%)	(0.6%)	(0.6%)

\* Interest was not due because interest was less than \$1

Figure 12

Selected Prompt Pay Data			
	1999	1998	1997
Invoices paid:			
Dollar amount (millions)	\$2,031	\$1,901	\$1,810
Number	561,526	530,915	534,099
Interest penalties:			
Dollar amount (millions)	\$0.6	\$0.9	\$1.2
Number	22,264	31,752	46,797
Interest penalties as a percent of invoices paid:			
Dollar amount	0.032%	0.047%	0.067%
Number	4.0%	6.0%	8.8%

## Electronic Funds Transfer (EFT)

The Debt Collection Improvement Act (DCIA) of 1996 requires that all payments be made by Electronic Funds Transfer by January 2, 1999, unless covered by a waiver. EFT performance is measured by the percentage of total payments issued using electronic mechanisms.

**Management Objective:** Use electronic funds transfer to the maximum extent possible, except for payments covered by waivers.

Over the past three years, Interior has increased the percentage of payments made by EFT. Figure 13 shows EFT performance over the past three years for salary payments, vendor payments, and miscellaneous payments.

Figure 13

Electronic Funds Transfer Payments			
	1999	1998	1997
Salary	97.9%	90.2%	85.8%
Vendor	61.1%	25.3%	14.4%
Miscellaneous	83.5%	56.4%	34.6%

## Debt Collection

The collection of delinquent debt due from the public is a major goal of the Debt Collection Improvement Act. The DCIA requires agencies to transfer eligible debt to the Department of the Treasury. Interior's objective is to transfer all eligible debt to the Department of the Treasury in compliance with DCIA. In an effort to fulfill its statutory obligations, the Department has implemented two debt management initiatives that are intended to control and manage debt due from the public and to ensure that future delinquencies are held to a minimum. These include referring 180-day and older delinquent debt to the U.S. Treasury for cross-servicing and referring delinquent debts to the Treasury Offset Program. The Department's debt management policies are designed to (1) provide sufficient and accurate management information, (2) help bureaus become more effective in their debt collection efforts, and (3) initiate appropriate litigation as necessary. With the new legal mandates and policies now being implemented, the Department expects a greater rate of collection in the years ahead.

**Management Objective:** Refer all 180-day and older eligible delinquent debt to the U.S. Treasury for cross-servicing and refer delinquent debts to the Treasury Offset Program as required by law.

In 1999, approximately \$\_\_\_ million (\_\_\_ percent) of the Department's \$\_\_\_ million accounts receivables due from the public were considered delinquent. The nature of this debt, comprising fines and penalties, has a historically high rate of write-offs. Figure 14 shows the Department's accounts receivable balances (net of allowance for doubtful accounts) due from the public for 1997 to 1999.

Insert Figure 14 (Net Accounts Receivable Chart)  
Note - Data must be consistent with Financial Statement Footnote